



Rating Action: Moody's Ratings upgrades three Italian utilities following sovereign action

25 Nov 2025

Milan, November 25, 2025 -- Moody's Ratings (Moody's) has today upgraded the long-term ratings of the following three Italian utilities: ACEA S.p.A. (ACEA), Hera S.p.A. (Hera), and Terna - Rete Elettrica Nazionale S.p.A. (Terna). We have concurrently affirmed Terna's short-term P-2 and (P)P-2 ratings. In addition, we have changed to stable from positive the outlook on all issuers.

Today's rating action follows the upgrade to Baa2 from Baa3 on the Government of Italy with a stable outlook. For further information on the sovereign rating action, please refer to the press release dated 21 November 2025: <https://ratings.moody's.com/ratings-news/455042>.

Please click on this link https://www.moody's.com/viewresearchdoc.aspx?docid=PBC_ARFTL516088 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

OVERVIEW OF RATING ACTIONS

- ACEA S.p.A.: we have upgraded the long-term issuer rating and senior unsecured ratings of ACEA to Baa1 from Baa2. Concurrently, we have upgraded the Baseline Credit Assessment (BCA) to baa1 from baa2 and the provisional rating on ACEA's EUR5 billion EMTN program to (P)Baa1 from (P)Baa2. We have also changed the outlook to stable from positive.

- Hera S.p.A.: we have upgraded the long-term issuer rating and senior unsecured ratings of Hera to Baa1 from Baa2. Concurrently, we have upgraded the Baseline Credit Assessment (BCA) to baa1 from baa2 and the provisional rating on Hera's EUR5 billion EMTN program to (P)Baa1 from (P)Baa2. We have also changed the outlook to stable from positive.

- Terna - Rete Elettrica Nazionale S.p.A.: we have upgraded the long-term issuer rating and senior unsecured ratings of Terna to Baa1 from Baa2. Concurrently, we have upgraded the Baseline Credit Assessment (BCA) to baa1 from baa2 and the provisional ratings on Terna's EUR12 billion and EUR4 billion senior unsecured EMTN programs to (P)Baa1 from (P)Baa2. We also upgraded to Baa3 from Ba1 the ratings of Terna's subordinated debt (also known as "hybrid"). We affirmed Terna's P-2 short-term issuer and Commercial Paper ratings and (P)P-2 other short-term ratings. Finally, we have changed the outlook to stable from positive.

RATIONALE FOR THE UPGRADE OF ACEA

The upgrade of ACEA reflects that the company's BCA and ratings are no longer constrained by the sovereign rating following the upgrade of the Government of Italy. The rating action also reflects ACEA's solid financial profile, as illustrated for example by funds from operations (FFO) to net debt of 19.4% on average in the past 3 years, and our expectation that this ratio will be around 20% over 2025-27.

ACEA's Baa1 ratings are supported by the company's diversified business mix and its portfolio of regulated activities. These activities, characterized by monopolistic features and well-established regulatory frameworks, provide a good degree of predictability and visibility into the company's earnings. At the same time, the ratings are constrained by the group's exposure through its unregulated businesses (around 19% of EBITDA in 2024, expected to decrease to around 10% after the disposal of Acea Energia) to the cyclical macroeconomic environment and competition.

Given ACEA's 51% public shareholder base, we consider ACEA to be a Government-related Issuer. However, the Baa1 rating does not incorporate any uplift from ACEA's BCA of baa1, based on our assessment of moderate support and high dependence.

Because ACEA's ratings are not constrained by the sovereign rating anymore, we have revised the company's ESG Credit Impact Score to CIS-3 from CIS-2, reflecting that its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time.

RATIONALE FOR THE UPGRADE OF HERA

The upgrade of Hera reflects that the company's BCA and ratings are no longer constrained by the sovereign rating following the upgrade of the Government of Italy. It also recognizes the company's solid operating performance and financial profile, illustrated for example by a Moody's-adjusted ratio of FFO to net debt of 24% on average over the last five years (2020-24), and our expectation that this ratio will remain in the low-twenties in percentage terms over 2025-27.

Hera's Baa1 ratings further reflect the company's diversified business mix and its portfolio of regulated and quasi-regulated activities, which accounted for around 32% of the consolidated EBITDA in 2024, with limited price and volume exposure, underpinned by supportive and transparent regulatory frameworks; the contribution from quasi-regulated activities (5% of EBITDA in FY2024), which support cash flow stability; Hera's strategy of growth through small and medium-scale acquisitions mainly funded with exchange of shares; and its solid liquidity. The ratings are constrained by the company's exposure to the macroeconomic cycle and competitive pressure through its electricity and gas supply businesses and waste treatment (around 63% of EBITDA in FY2024) and the exposure, although limited, of Hera's power generation and waste businesses to volatile power prices in Italy.

Given Hera's 46% public shareholder base, we consider Hera to be a Government-related Issuer. However, the Baa1 rating does not incorporate any uplift from Hera's BCA of baa1, based on our assessment of low support and moderate dependence.

Because Hera's ratings are not constrained by the sovereign rating anymore, we have revised the company's ESG Credit Impact Score to CIS-3 from CIS-2, reflecting that its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time.

RATIONALE FOR THE UPGRADE OF TERNA

The upgrade of Terna reflects that the company's BCA and ratings are no longer constrained by the sovereign rating, following the upgrade of the Government of Italy. It also recognizes Terna's solid financial profile, as evidenced by FFO to net debt of 15% on average over the last five years (2020-24).

We expect some deterioration in credit metrics going forward, as increased investments included in Terna's 2024-28 updated business plan will result in a substantial increase in debt levels. However, the rating upgrade reflects our view that management remains committed to maintaining a strong financial profile and may strengthen the balance sheet, including through hybrid issuance. As a result, we expect that the company will maintain FFO to net debt of at least 11% over 2025-28.

Terna's Baa1 ratings are also underpinned by its monopoly ownership and operation of the electricity transmission network in Italy, and its crucial role in delivering the country's energy strategy; the low business risk of its electricity transmission activities, underpinned by a well-established, transparent and supportive regulatory framework; its limited exposure to volume fluctuations; and the usually timely cost recovery mechanisms in the Italian tariff-setting framework, which support revenue predictability and stability. The ratings are constrained by the relatively high proportion of cash flow paid out as dividends, which acts as a constraint on the company's retained cash flow (RCF); and Terna's sizeable and increased capital spending programme, which will bring higher leverage absent mitigating action.

Terna falls within the scope of our Government-related Issuers methodology, because the Government of Italy has indirect control. Nonetheless, based on our expectation of a moderate support probability by the Government in case of financial distress, and very high default dependence with the Government, the Baa1 senior unsecured ratings of Terna do not include any uplift from the company's BCA of baa1.

The Baa3 long-term rating on the hybrids, which is two notches below the long-term issuer rating of Baa1 for

Terna, reflects their terms and position in the capital structure.

Because Terna's ratings are not constrained by the sovereign rating anymore, we have revised the company's ESG Credit Impact Score to CIS-3 from CIS-2, reflecting that its ESG attributes are overall considered as having a limited impact on the current rating, with greater potential for future negative impact over time.

RATIONALE FOR THE STABLE OUTLOOK OF ACEA

The stable outlook recognizes ACEA's solid financial profile, and our expectations that it will maintain financial metrics consistent with the guidance for a Baa1 rating.

RATIONALE FOR THE STABLE OUTLOOK OF HERA

The stable outlook recognizes the company's solid operating performance and financial profile, and our expectations that it will maintain financial metrics consistent with the guidance for a Baa1 rating.

RATIONALE FOR THE STABLE OUTLOOK OF TERNA

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FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

ACEA S.p.A.

An upgrade of ACEA's ratings would be contingent upon an upgrade of the Italian sovereign rating. Any upgrade would also require ACEA to demonstrate FFO/net debt comfortably above 25%, while maintaining good liquidity.

ACEA's ratings could be downgraded following a downgrade of the Italian sovereign rating. Downward pressure on the rating could also result from ACEA's FFO/net debt falling below 20%; or any adverse regulatory development, discriminatory fiscal measures, or adverse political interference from the Government or the Municipality of Rome.

Hera S.p.A.

An upgrade of Hera's ratings would be conditional upon an upgrade of the Italian sovereign rating. Any potential upgrade would also be contingent upon Hera demonstrating FFO/net debt in the high-twenties in percentage terms, coupled with good liquidity.

Hera's ratings could be downgraded following a downgrade of the Italian sovereign rating; a weakening of its financial ratios, including FFO/net debt below the low-twenties in percentage terms; or a deterioration in Hera's business risk profile as a result of its growth strategy, with no offsetting strengthening in its credit metrics.

Terna – Rete Elettrica Nazionale S.p.A.

Although unlikely at this stage, given the sizeable investment programme, an upgrade of Terna's ratings would be contingent upon an upgrade of the Italian sovereign rating. Upward rating pressure would also be subject to continuing sound liquidity and Terna demonstrating a stronger financial profile.

Terna's ratings could be downgraded following a downgrade of the Italian sovereign rating. Downward pressure on the ratings could also result from Terna's FFO/net debt falling below 11%; or unexpected adverse regulatory developments, evidence of political interference or adverse fiscal measures.

PRINCIPAL METHODOLOGIES

The principal methodologies used in rating Hera S.p.A. were Unregulated Utilities and Power Companies published in August 2025 and available at <https://ratings.moodys.com/rmc-documents/449372>, and Government-related Issuers published in May 2025 and available at <https://ratings.moodys.com/rmc-documents/443641>. The principal methodologies used in rating ACEA S.p.A. were Regulated Water Utilities published in August 2023 and available at <https://ratings.moodys.com/rmc-documents/406788>, and Government-related Issuers published in May 2025 and available at <https://ratings.moodys.com/rmc-documents/443641>. The principal methodologies used in rating Terna - Rete Elettrica Nazionale S.p.A. were

Regulated Electric and Gas Networks published in April 2022 and available at <https://ratings.moodys.com/rmc-documents/386754>, and Government-related Issuers published in May 2025 and available at <https://ratings.moodys.com/rmc-documents/443641>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/viewresearchdoc.aspx?docid=PBC_ARFTL516088 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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